

**PULASKI COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2017**

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November 5, 2017

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Pulaski County School District
Somerset, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of the district's proportionate share of net pension liabilities on Pages 4 through 10 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pulaski County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2017, on our consideration of Pulaski County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**PULASKI COUNTY PUBLIC SCHOOL DISTRICT – Somerset, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

As management of the Pulaski County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The June 30, 2017 cash balance for the District was \$10,536,409, as compared with the beginning cash balance of \$6,815,468. The ending cash balance consists of General Fund of \$7,361,800, District Activity Fund of \$622,232, Capital Outlay of \$369,962, Construction Fund of \$34,228, Food Service of \$1,481,810, and Child Care of \$666,377.
- District-wide net position increased \$3,870,197 during the 2017 fiscal year.
- The General Fund had \$63.7 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$63.2 million in General Fund expenditures.
- General Fund revenue increased \$1,605,855 from last fiscal year and General Fund expenses increased \$825,106.
- The financial statements reflect revenues of \$14,828,170 from the state on-behalf of District employees for retirement contributions, health insurance, administration fees, debt service and technology with a like amount of expenses recorded.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statements can be found on pages 22-41 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3.14 million as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2017 and June 30, 2016

A comparison of June 30, 2017 and June 30, 2016 government wide net position is as follows:

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u> <u>Restated</u>
Current and Other Assets	\$ 10,943,056	\$ 8,844,182	\$ 2,372,797	\$ 1,936,164	\$ 13,315,853	\$ 10,780,346
Capital Assets	70,309,138	70,365,138	577,369	655,527	70,886,507	71,020,665
Deferred Outflows	<u>6,979,497</u>	<u>4,040,578</u>	<u>1,278,398</u>	<u>652,564</u>	<u>8,257,895</u>	<u>4,693,142</u>
Total Assets and Deferred Outflows	<u>88,231,691</u>	<u>83,249,898</u>	<u>4,228,564</u>	<u>3,244,255</u>	<u>92,460,255</u>	<u>86,494,153</u>
Current Liabilities	7,440,033	7,262,100	41,848	84,575	7,481,881	7,346,675
Non-Current Liabilities	77,176,342	76,612,140	3,766,833	3,263,036	80,943,175	79,875,176
Deferred Inflows	<u>741,691</u>	<u>-</u>	<u>151,009</u>	<u>-</u>	<u>892,700</u>	<u>-</u>
Total Liabilities	<u>85,358,066</u>	<u>83,874,240</u>	<u>3,949,690</u>	<u>3,347,611</u>	<u>89,317,756</u>	<u>87,221,851</u>
Net Position						
Investment in capital assets (net of related debt)	8,299,067	7,759,370	577,369	655,527	8,876,436	8,414,897
Restricted	1,002,685	1,283,015	(308,495)	(758,883)	694,190	524,132
Unrestricted	<u>(6,428,127)</u>	<u>(9,666,727)</u>	<u>-</u>	<u>-</u>	<u>(6,428,127)</u>	<u>(9,666,727)</u>
Total Net Position	<u>\$ 2,873,625</u>	<u>\$ (634,342)</u>	<u>\$ 268,874</u>	<u>\$ (103,356)</u>	<u>\$ 3,142,499</u>	<u>\$ (737,698)</u>

The following table presents changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Program revenues						
Charges for services	\$ 61,160	\$ 26,220	\$ 1,026,063	\$ 832,235	\$ 1,087,223	\$ 858,455
Operating grants and contributions	10,767,463	10,506,105	6,398,594	5,839,136	17,166,057	16,345,241
Capital grants	106,850	584,314			106,850	584,314
General revenues						
Property taxes	14,469,690	14,357,784			14,469,690	14,357,784
Motor vehicle taxes	2,371,220	1,945,500			2,371,220	1,945,500
Utility Taxes	3,071,032	3,116,577			3,071,032	3,116,577
Other taxes	1,211,707	543,227			1,211,707	543,227
Investment earnings	117,495	49,865	11,311	4,470	128,806	54,335
State and formula grants	47,874,250	46,549,833			47,874,250	46,549,833
Miscellaneous	1,273,089	1,621,823			1,273,089	1,621,823
Total revenues	<u>81,323,956</u>	<u>79,301,248</u>	<u>7,435,968</u>	<u>6,675,841</u>	<u>88,759,924</u>	<u>85,977,089</u>
EXPENSES						
Program Activities						
Instructional	49,275,720	47,339,448			49,275,720	47,339,448
Student support	4,136,668	3,620,496			4,136,668	3,620,496
Instructional staff Support	3,136,599	6,089,375			3,136,599	6,089,375
District administrative support	902,897	1,538,633			902,897	1,538,633
School administrative support	3,186,718	3,037,445			3,186,718	3,037,445
Business support	763,113	746,964			763,113	746,964
Plant operations and maintenance	8,404,844	8,318,795			8,404,844	8,318,795
Student transportation	4,734,393	4,721,622			4,734,393	4,721,622
Community service activities	1,012,626	997,363			1,012,626	997,363
Other	5,862	72,976			5,862	72,976
Interest costs	2,266,549	2,382,472			2,266,549	2,382,472
Business-type Activities						
Child Care			968,245	742,946	968,245	742,946
Food service			6,095,493	5,592,601	6,095,493	5,592,601
Total expenses	<u>77,825,989</u>	<u>78,865,589</u>	<u>7,063,738</u>	<u>6,335,547</u>	<u>84,889,727</u>	<u>85,201,136</u>
Increase (decrease) in net position	<u>\$ 3,497,967</u>	<u>\$ 435,659</u>	<u>\$ 372,230</u>	<u>\$ 340,294</u>	<u>\$ 3,870,197</u>	<u>\$ 775,953</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2017 and 2016 were \$14,828,170 and \$14,490,698 respectively.

Total revenue increased \$2,782,835 and expenses decreased \$311,409.

Governmental Activities

For the governmental program expenses instructional expenses comprise 60% of total expenses, support services equate to 36%, and interest and other expenses make up the remaining 4% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instructional	\$ 49,275,720	\$ 47,339,448	\$ 40,335,700	\$ 38,714,346
Support Services	26,278,178	29,070,693	24,390,023	27,163,559
Other	5,542	72,976	5,094	72,887
Interest Costs	<u>2,266,549</u>	<u>2,382,472</u>	<u>2,159,699</u>	<u>1,798,158</u>
Total Expenses	<u>\$ 77,825,989</u>	<u>\$ 78,865,589</u>	<u>\$ 66,890,516</u>	<u>\$ 67,748,950</u>

Business-Type Activities

The business type activities at the District consist of Food Service and Child Care. Food Service had total revenues of \$6,276,854 and expenses of \$6,095,493 for fiscal year 2017. Child Care had total revenues of \$1,159,114 and expenses of \$968,245 for fiscal year 2017. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue and other financing sources for all governmental funds for 2017 was \$83,991,936 and expenditures were \$81,324,434.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$58,094,164 with actual results being \$67,317,482. Budgeted expenditures were \$62,734,877 compared to actual expenditures of \$64,369,650. The most significant cause of the variance between budget and actual revenue was under budgeting the state on-behalf payments in the amount of \$4,704,906 as well as a capital funds request of \$614,875, loan proceeds of \$949,000, capital lease proceeds of \$1,717,330, and receiving more tax revenue than budgeted. The most significant cause of the expenditures being over budget was the state on-behalf payments noted above and a property purchase for a new central office location.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2017-2018 with an approximate 11.77% contingency.

Significant Board action that impacts the finances includes the Board opting to keep tax rates the same at 54.1 cents per \$100 of property. The State did not change the SEEK base of \$3,981 for FY 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2017 fiscal year, the District had invested \$70,886,507, net of depreciation, in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net decrease of \$135,808. Depreciation expense for the year was \$3,289,581 and capital additions were \$3,153,773.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u> <u>Restated</u>
Land	\$ 3,621,670	\$3,345,670	\$ -	\$ -	\$ 3,621,670	\$3,345,670
Construction in Progress	13,558	323,572			13,558	323,572
Land Improvements	92,109	98,768	-	-	92,109	98,768
Buildings and Improvements	61,130,943	61,968,888	-		61,130,943	61,968,888
Technology	1,150	63,171	-		1,150	63,171
Vehicles	5,217,558	4,355,504	-	-	5,217,558	4,355,504
General Equipment	<u>232,150</u>	<u>212,865</u>	<u>577,369</u>	<u>655,527</u>	<u>809,519</u>	<u>868,392</u>
Total	<u>\$70,309,138</u>	<u>\$70,368,438</u>	<u>\$ 577,369</u>	<u>\$655,527</u>	<u>\$70,886,507</u>	<u>\$71,023,965</u>

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2017</u>	<u>2016</u> <u>Restated</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u> <u>Restated</u>
Beginning Balance	\$ 70,368,438	\$71,669,426	\$ 655,527	\$685,762	\$ 71,023,965	\$72,355,188
Additions	3,116,778	1,903,633	36,995	49,396	3,153,773	1,953,029
Retirements	(1,650)				(1,650)	
Depreciation	<u>(3,174,428)</u>	<u>(3,204,621)</u>	<u>(115,153)</u>	<u>(79,631)</u>	<u>(3,289,581)</u>	<u>(3,284,252)</u>
Ending Balance	<u>\$ 70,309,138</u>	<u>\$70,368,438</u>	<u>\$ 577,369</u>	<u>\$655,527</u>	<u>\$ 70,886,507</u>	<u>\$71,023,965</u>

Long-Term Debt

The District made scheduled bond payments in the amount of \$4,718,759. The District made scheduled capital lease payments of \$946,688.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (606)-673-1123.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	8,388,222	2,148,187	10,536,409
Accounts Receivable:			
Taxes - Current	593,538		593,538
Taxes - Delinquent	24,659		24,659
Accounts	246,310	81,705	328,015
Intergovernmental - State	12,247		12,247
Intergovernmental - Federal	906,616		906,616
Prepaid Expenses	706,092		706,092
Inventories for Consumption	65,372	142,905	208,277
Total Current Assets	10,943,056	2,372,797	13,315,853
Noncurrent Assets - Note F			
Land	3,621,670		3,621,670
Construction In Progress	13,558		13,558
Buildings & Improvements	99,119,568		99,119,568
Furniture & Equipment	21,839,204	2,702,834	24,542,038
Less: Accumulated Depreciation	(54,284,862)	(2,125,465)	(56,410,327)
Total Noncurrent Assets	70,309,138	577,369	70,886,507
TOTAL ASSETS	81,252,194	2,950,166	84,202,360
Deferred Outflows Related to Pensions	6,245,119	1,278,398	7,523,517
Deferred Outflows from Advanced Bond Refundings	734,378		734,378
TOTAL ASSETS AND DEFERRED OUTFLOWS	88,231,691	4,228,564	92,460,255
LIABILITIES:			
Current Liabilities:			
Accounts Payable	418,494	41,848	460,342
Accrued Salaries & Payroll Liabilities	1,009,000		1,009,000
Accrued Sick Leave - Note A	579,095		579,095
Advances from Grantors	663,948		663,948
Bond Obligations - Note D	3,320,000		3,320,000
Capital Lease Obligation - Note E	830,480		830,480
Accrued Interest Payable	619,016		619,016
Total Current Liabilities	7,440,033	41,848	7,481,881
Noncurrent Liabilities:			
Bond Obligations - Note D	53,180,000		53,180,000
Unamortized Bond Premiums	10,243		10,243
Capital Lease Obligation - Note E	3,730,591		3,730,591
Note Payable - Note D	949,000		949,000
Net Pension Liability	18,391,006	3,766,833	22,157,839
Accrued Sick Leave - Note A	915,502		915,502
Total Noncurrent Liabilities	77,176,342	3,766,833	80,943,175
TOTAL LIABILITIES	84,616,375	3,808,681	88,425,056
Deferred Inflows Related to Pensions	741,691	151,009	892,700
TOTAL LIABILITIES AND DEFERRED INFLOWS	85,358,066	3,959,690	89,317,756
NET POSITION:			
Net Investment in Capital Assets	8,299,067	577,369	8,876,436
Restricted for:			
Capital Projects	22,127		22,127
SFCC Escrow	369,962		369,962
School Activities	610,596		610,596
Day Care		204,883	204,883
Food Service		(513,378)	(513,378)
Unrestricted	(6,428,127)		(6,428,127)
TOTAL NET POSITION	2,873,625	268,874	3,142,499
TOTAL LIABILITIES AND NET POSITION	88,231,691	4,228,564	92,460,255

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	49,275,720	22,160	8,917,860		(40,335,700)		(40,335,700)
Support Services:							
Student Support Services	4,136,668		12,011		(4,124,657)		(4,124,657)
Staff Support Services	3,136,599		676,239		(2,460,360)		(2,460,360)
District Administration	902,897				(902,897)		(902,897)
School Administration	3,186,718		91,336		(3,095,382)		(3,095,382)
Business Support Services	763,113		35,313		(727,800)		(727,800)
Plant Operation & Maintenance	8,404,844				(8,404,844)		(8,404,844)
Student Transportation	4,734,393		43,798		(4,690,595)		(4,690,595)
Central Office	320				(320)		(320)
Community Service Operations	1,012,626	39,000	990,458		16,832		16,832
Adult Education	455		448		(7)		(7)
Facilities Acquisition & Construction	5,087				(5,087)		(5,087)
Interest on Long-Term Debt	2,266,549			106,850	(2,159,699)		(2,159,699)
TOTAL GOVERNMENTAL ACTIVITIES	77,825,989	61,160	10,767,463	106,850	(66,890,516)		(66,890,516)
BUSINESS-TYPE ACTIVITIES:							
Day Care	968,245	760,580	398,534			190,869	190,869
Food Service	5,837,753	265,483	6,000,060			427,790	427,790
TOTAL BUSINESS-TYPE ACTIVITIES	6,805,998	1,026,063	6,398,594	0	0	618,659	618,659
TOTAL SCHOOL DISTRICT	84,631,987	1,087,223	17,166,057	106,850	(66,890,516)	618,659	(66,271,857)
GENERAL REVENUES:							
Taxes:							
Property					14,469,690		14,469,690
Motor Vehicle					2,371,220		2,371,220
Utility					3,071,032		3,071,032
Other					1,211,707		1,211,707
State Aid - Formula Grants					47,874,250		47,874,250
Investment Earnings					117,495	11,311	128,806
Miscellaneous					973,869		973,869
SPECIAL ITEMS:							
Funds Transfer (Expense)					257,740	(257,740)	0
Loss Compensation					14,107		14,107
Gain(Loss) Sale of Assets					27,373		27,373
TOTAL GENERAL & SPECIAL					70,388,483	(246,429)	70,142,054
CHANGE IN NET POSITION					3,497,967	372,230	3,870,197
NET POSITION - BEGINNING OF YEAR - AS RESTATED - NOTE R					(624,342)	(103,356)	(727,698)
NET POSITION - ENDING					2,873,625	268,874	3,142,499

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	7,361,800			1,026,422	8,388,222
Interfund Receivable	892,938				892,938
Accounts Receivable:					
Taxes - Current	593,538				593,538
Taxes - Delinquent	24,659				24,659
Accounts	246,310				246,310
Intergovernmental - State		12,247			12,247
Intergovernmental - Federal		906,616			906,616
Prepaid Expenses	5,717			700,375	706,092
Inventory	65,372				65,372
TOTAL ASSETS	<u>9,190,334</u>	<u>918,863</u>	<u>0</u>	<u>1,726,797</u>	<u>11,835,994</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	332,405	62,352		23,737	418,494
Interfund Payable		192,563		700,375	892,938
Accrued Salaries & Benefits	1,009,000				1,009,000
Advances from Grantors		663,948			663,948
Total Liabilities	<u>1,341,405</u>	<u>918,863</u>	<u>0</u>	<u>724,112</u>	<u>2,984,380</u>
Fund Balance:					
Non-Spendable	71,089				71,089
Restricted for:					
Capital Projects				22,127	22,127
School Activities				610,596	610,596
SFCC Escrow				369,962	369,962
Committed for:					
Accrued Sick Leave	579,095				579,095
Unassigned Fund Balance	7,198,745				7,198,745
Total Fund Balance	<u>7,848,929</u>	<u>0</u>	<u>0</u>	<u>1,002,685</u>	<u>8,851,614</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>9,190,334</u>	<u>918,863</u>	<u>0</u>	<u>1,726,797</u>	<u>11,835,994</u>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		8,851,614
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	124,594,000	
Accumulated Depreciation	<u>(54,284,862)</u>	70,309,138
Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.		734,378
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		6,245,119
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(56,500,000)	
Unamortized Bond Premiums	(10,243)	
Capital Lease Obligation	(4,561,071)	
Note Payable	(949,000)	
Accrued Interest on Bonds	(619,016)	
Net Pension Liability	(18,391,006)	
Accrued Sick Leave	<u>(1,494,597)</u>	(82,524,933)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(741,691)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>2,873,625</u></u>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	11,121,706			3,347,984	14,469,690
Motor Vehicle	2,371,220				2,371,220
Utility	3,071,032				3,071,032
Other	1,211,707				1,211,707
Earnings on Investments	112,285			5,210	117,495
Intergovernmental - State	45,431,793	4,086,869	562,743	1,986,564	52,067,969
Intergovernmental - Federal		6,680,594			6,680,594
Other Sources	415,664	17,408		601,957	1,035,029
TOTAL REVENUES	63,735,407	10,784,871	562,743	5,941,715	81,024,736
EXPENDITURES:					
Instructional	39,114,507	9,071,342		443,245	48,629,094
Support Services:					
Student Support Services	4,104,098	12,218		2,201	4,118,517
Staff Support Services	2,388,993	687,878		59,090	3,135,961
District Administration	898,799				898,799
School Administration	3,083,954	92,908			3,176,862
Business Support Services	708,598	35,921			744,519
Plant Operation & Maintenance	6,460,424			17,268	6,477,692
Student Transportation	5,526,327	44,552		10,705	5,581,584
Community Service Operations	4,947	1,007,504			1,012,451
Adult Education		455			455
Facilities Acquisition & Construction	949,000			371,310	1,320,310
Debt Service:					
Principal			4,108,242		4,108,242
Interest			2,119,948		2,119,948
TOTAL EXPENDITURES	63,239,647	10,952,778	6,228,190	903,819	81,324,434
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	495,760	(167,907)	(5,665,447)	5,037,896	(299,698)
OTHER FINANCING SOURCES(USES):					
Proceeds from Loans	949,000				949,000
Capital Lease Financing	1,717,330				1,717,330
Loss Compensation	14,107				14,107
Proceeds from Sale of Assets	29,023				29,023
Operating Transfers In - Note O	872,615	154,430	5,665,447	29,799	6,722,291
Operating Transfers Out - Note O	(1,130,003)			(5,334,548)	(6,464,551)
TOTAL OTHER FINANCING SOURCES	2,452,072	154,430	5,665,447	(5,304,749)	2,967,200
NET CHANGE IN FUND BALANCES	2,947,832	(13,477)	0	(266,853)	2,667,502
FUND BALANCES - BEGINNING	4,901,097	13,477	0	1,269,538	6,184,112
FUND BALANCES - ENDING	7,848,929	0	0	1,002,685	8,851,614

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		2,667,502
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(3,174,428)	
Capital Outlays	<u>3,116,778</u>	(57,650)
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond Principal Paid	4,108,242	
Capital Lease Financing	(1,717,330)	
Note Proceeds	<u>(949,000)</u>	1,441,912
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflows on Advanced Bond Refundings	(120,150)	
Amortization - Bond Premiums	1,079	
District Pension Contributions	1,278,403	
Cost of Benefits Earned Net of Employee Contributions	(1,420,740)	
Accrued Interest Payable	(27,529)	
Accrued Sick Leave	<u>(263,210)</u>	(552,147)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Loss - Sale of Assets		<u>(1,650)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>3,497,967</u></u>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	ENTERPRISE FUNDS		
	FOOD SERVICE	CHILD CARE FUND	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	1,481,810	666,377	2,148,187
Accounts Receivable	72,615	9,090	81,705
Inventories for Consumption	142,905		142,905
Total Current Assets	1,697,330	675,467	2,372,797
Noncurrent Assets:			
Furniture & Equipment	2,702,834		2,702,834
Less: Accumulated Depreciation	(2,125,465)		(2,125,465)
Total Noncurrent Assets	577,369	0	577,369
TOTAL ASSETS	2,274,699	675,467	2,950,166
Deferred Outflows Related to Pensions	1,053,292	225,106	1,278,398
TOTAL ASSETS AND DEFERRED OUTFLOWS	3,327,991	900,573	4,228,564
LIABILITIES:			
Current Liabilities:			
Account Payable	36,924	4,924	41,848
Total Current Liabilities	36,924	4,924	41,848
Noncurrent Liabilities:			
Net Pension Liability	3,102,098	664,735	3,766,833
Total Noncurrent Liabilities	3,102,098	664,735	3,766,833
TOTAL LIABILITIES	3,139,022	669,659	3,808,681
Deferred Inflows Related to Pensions	124,978	26,031	151,009
TOTAL LIABILITIES AND DEFERRED INFLOWS	3,264,000	695,690	3,959,690
Net Position:			
Net Investment in Capital Assets	577,369		577,369
Restricted	(513,378)	204,883	(308,495)
Total Net Position	63,991	204,883	268,874
TOTAL LIABILITIES AND NET POSITION	3,327,991	900,573	4,228,564

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	ENTERPRISE FUNDS		
	FOOD SERVICE	CHILD CARE FUND	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	265,483		265,483
Other Operating Revenues		760,580	760,580
TOTAL OPERATING REVENUES	265,483	760,580	1,026,063
OPERATING EXPENSES:			
Salaries & Benefits	2,658,975	889,707	3,548,682
Contract Services	87,183	17,736	104,919
Materials & Supplies	2,966,147	54,936	3,021,083
Depreciation - Note F	115,153		115,153
Other Operating Expenses	10,295	5,866	16,161
TOTAL OPERATING EXPENSES	5,837,753	968,245	6,805,998
OPERATING INCOME(LOSS)	(5,572,270)	(207,665)	(5,779,935)
NONOPERATING REVENUES(EXPENSES):			
Transfer Out to General Fund	(257,740)		(257,740)
Federal Grants	5,236,415	193,976	5,430,391
State Grants	414,745	204,558	619,303
Donated Commodities	348,900		348,900
Interest Income	11,311		11,311
TOTAL NONOPERATING REVENUE	5,753,631	398,534	6,152,165
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	181,361	190,869	372,230
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET POSITION	181,361	190,869	372,230
TOTAL NET POSITION - BEGINNING	(117,370)	14,014	(103,356)
TOTAL NET POSITION - ENDING	63,991	204,883	268,874

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	FOOD SERVICE FUND	CHILD CARE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	250,456		250,456
Other Activities		760,580	760,580
Cash Paid to/for:			
Employees	(2,267,026)	(680,161)	(2,947,187)
Supplies	(2,626,954)	(55,398)	(2,682,352)
Other Activities	(97,478)	(23,602)	(121,080)
Net Cash Provided (Used) by Operating Activities	(4,741,002)	1,419	(4,739,583)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer out to General Fund	(257,740)		(257,740)
Federal Grants	5,258,943	193,976	5,452,919
State Grants	46,780		46,780
Net Cash Provided by Non-Capital and Related Financing Activities	5,047,983	193,976	5,241,959
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(36,995)		(36,995)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest Income	11,311		11,311
Net Increase in Cash and Cash Equivalents	281,297	195,395	476,692
Balances, Beginning of Year	1,200,513	470,982	1,671,495
Balances, End of Year	1,481,810	666,377	2,148,187
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Loss	(5,572,270)	(207,665)	(5,779,935)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	115,153		115,153
State On-Behalf Payments	367,965	204,558	572,523
Donated Commodities	348,900		348,900
Change in Assets and Liabilities:			
Net Pension Liability	23,984	4,988	28,972
Inventory	17,531		17,531
Deferred Revenue	(15,027)		(15,027)
Accounts Payable	(27,238)	(462)	(27,700)
Net Cash Provided (Used) by Operating Activities	(4,741,002)	1,419	(4,739,583)
Schedule of Non-Cash Transactions:			
Donated Commodities	348,900	-	348,900
State On-Behalf Payments	367,965	204,558	572,523

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>AGENCY FUND</u>
ASSETS:	
Cash and Cash Equivalents	424,612
TOTAL ASSETS	<u>424,612</u>
LIABILITIES:	
Due to Student Groups	424,612
TOTAL LIABILITIES	<u>424,612</u>
NET POSITION HELD IN TRUST	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pulaski County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Pulaski County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Pulaski County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Pulaski County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Pulaski County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2017, to finance the General Fund operations were \$0.541 per \$100 valuation for real property, \$0.541 per \$100 valuation for business personal property, and \$0.542 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	579,095	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$10,961,021. Of the total cash balance, \$254,957 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2017, consisted of the following:

	Bank Balance	Book Balance
Citizens National Bank	12,499,599	10,956,063
Cumberland Security Bank	1,348	1,348
Monticello Bank	<u>3,610</u>	<u>3,610</u>
Total	<u>12,504,557</u>	<u>10,961,021</u>
Breakdown per financial statements:		
Governmental Funds		8,388,222
Proprietary Funds		<u>2,148,187</u>
Cash per Statement of Net Position		10,536,409
Agency Funds		<u>424,612</u>
Total Cash		<u>10,961,021</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Pulaski County School District Finance Corporation aggregating \$69,445,000.

The original amount of each issue and interest rates are summarized below:

2009	24,435,000	3.50% - 4.25%
2009BR	4,660,000	2.00% - 3.00%
2009R	2,460,000	2.00% - 3.25%
2010	9,340,000	1.00% - 2.75%
2011	9,295,000	1.00% - 4.25%
2012	3,185,000	2.90% - 3.37%
2012RA	1,940,000	0.50% - 2.00%
2012R	1,600,000	1.50% - 2.00%
2014	5,950,000	1.10% - 4.00%
2015	4,500,000	1.00% - 2.35%
2016	2,080,000	2.00% - 2.00%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by Pulaski County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2017, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2017-18	3,320,000	1,935,421	531,570	4,723,851
2018-19	3,375,000	1,851,950	498,909	4,728,041
2019-20	3,345,000	1,770,482	386,114	4,729,368
2020-21	3,440,000	1,678,495	387,512	4,730,983
2021-22	3,530,000	1,585,928	388,813	4,727,115
2022-23	3,635,000	1,483,537	390,013	4,728,524
2023-24	3,735,000	1,370,463	376,116	4,729,347
2024-25	3,820,000	1,255,300	344,393	4,730,907
2025-26	3,955,000	1,121,331	340,394	4,735,937
2026-27	4,135,000	977,613	341,393	4,771,220
2027-28	4,105,000	808,789	132,292	4,781,497
2028-29	4,275,000	636,401	132,293	4,779,108
2029-30	2,960,000	456,520	56,177	3,360,343
2030-31	3,080,000	337,625	56,178	3,361,447
2031-32	1,850,000	211,975	33,902	2,028,073
2032-33	1,925,000	147,975	33,902	2,039,073
2033-34	2,015,000	80,600	33,903	2,061,697
	<u>56,500,000</u>	<u>17,710,405</u>	<u>4,463,874</u>	<u>69,746,531</u>

NOTE PAYABLE – SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORP.

On May 19, 2017, the District entered into a purchase agreement with South Kentucky Rural Cooperative Corporation, Somerset, Kentucky, in the amount of \$1,250,000 to purchase of a building located in Somerset, Kentucky. During the year ended June 30, 2017, the District paid \$301,000 and the remaining \$949,000 is due on or before November 19, 2019. There are no specific payment terms and no interest due with the payment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bond Payable	59,770,000	0	3,270,000	56,500,000	3,320,000
Capital Lease Obligations	3,678,974	1,717,330	835,233	4,561,071	830,480
Net Pension Liability	15,931,291	2,459,715	0	18,391,006	0
Note Payable	0	949,000	0	949,000	0
Accrued Sick Leave	<u>1,231,097</u>	<u>404,366</u>	<u>140,866</u>	<u>1,494,597</u>	<u>579,095</u>
Total Governmental Activities:	<u>80,611,362</u>	<u>5,530,411</u>	<u>4,246,099</u>	<u>81,895,674</u>	<u>4,729,575</u>
Proprietary Activities:					
Net Pension Liability	<u>3,263,036</u>	<u>503,797</u>	<u>0</u>	<u>3,766,833</u>	<u>0</u>
Total Long-Term Liabilities:	<u>83,874,398</u>	<u>6,034,208</u>	<u>4,246,099</u>	<u>85,662,507</u>	<u>4,729,575</u>

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2026. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2017.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2017</u>
Buses	8,258,452
Accumulated Amortization	<u>(3,695,490)</u>
	<u>4,562,962</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2018	941,869
2019	829,863
2020	722,313
2021	637,872
2022	538,569
2023-2027	<u>1,341,264</u>
Net minimum lease payments	5,011,750
Amount representing interest	<u>(450,679)</u>
Present value of net minimum lease payments	<u>4,561,071</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	3,345,670	276,000		3,621,670
Construction	323,572	(310,014)		13,558
Depreciable Assets:				
Buildings & Building Improvements - Restated	97,770,331	1,349,237		99,119,568
Technology Equipment	8,241,315		695,739	7,545,576
Vehicles	11,721,364	1,743,173	509,962	12,954,575
General Equipment	1,280,671	58,382		1,339,053
TOTAL AT HISTORICAL COST	122,682,923	3,116,778	1,205,701	124,594,000
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	35,702,675	2,193,841		37,896,516
Technology Equipment - Restated	8,178,144	60,371	694,089	7,544,426
Vehicles	7,365,860	881,119	509,962	7,737,017
General Equipment	1,067,806	39,097		1,106,903
TOTAL ACCUMULATED DEPRECIATION	52,314,485	3,174,428	1,204,051	54,284,862
GOVERNMENTAL ACTIVITIES CAPITAL NET	70,368,438	(57,650)	(1,650)	70,309,138
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	56,057			56,057
Vehicles	27,330			27,330
General Equipment	2,582,452	36,995		2,619,447
TOTALS AT HISTORICAL COST	2,665,839	36,995	0	2,702,834
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	56,057			56,057
Vehicles	27,330			27,330
General Equipment	1,926,925	115,153		2,042,078
TOTAL ACCUMULATED DEPRECIATION	2,010,312	115,153	0	2,125,465
PROPRIETARY ACTIVITIES CAPITAL NET	655,527	(78,158)	0	577,369
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				287,914
Student Support Services				4,923
District Administration				3,247
School Administration				1,131
Business Support Services				17,124
Plant Operation & Maintenance				1,977,680
Student Transportation				881,914
Central Office				320
Community Service Operations				175
TOTAL				3,174,428

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 22,157,839
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>303,279,104</u>
	<u>\$ 325,436,943</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 0.450032% percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,233,802 related to CERS and \$4,990,190 related to TRS. The District also recognized revenue of \$4,990,190 TRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,443	\$ -
Changes of assumptions	2,335,127	-
Net difference between projected and actual earnings on pension plan investments	3,104,810	892,700
Changes in proportion and differences between District contributions and proportionate share of contributions	350,894	-
District contributions subsequent to the measurement date	<u>1,540,243</u>	<u>-</u>
Total	<u>\$ 7,523,517</u>	<u>\$ 892,700</u>

\$1,540,243 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	1,844,990
2019	1,383,645
2020	922,299
2021	523,027
2022	416,613

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 4.2%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate—

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	27,612,279	22,157,839	17,482,333
TRS	3.2%	4.2%	5.2%
District's proportionate share of net pension liability	0	0	0

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers’ Compensation insurance.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Ohio Casualty Insurance Company.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Special Revenue	167,907
Construction	371,310
Debt Service	5,665,447

NOTE L – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	154,430
Operating	Capital Outlay	General	Operations	614,875
Operating	General	Debt Service	Debt Service	945,774
Operating	General	Construction	Construction	29,799
Operating	Capital Outlay	Debt Service	Debt Service	129,711
Operating	Building	Debt Service	Debt Service	<u>4,589,962</u>
		Subtotal Governmental Funds Transferred		6,464,551
Operating	Food Service	General Fund	Indirect Costs	<u>257,740</u>
		Total Transferred Funds		<u>6,722,291</u>

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$192,563
General Fund	Building	\$700,375

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE O – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 5, 2017. There are no material subsequent events to disclose.

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2017, \$14,828,170 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$4,990,190
Health Insurance	9,240,198
Life Insurance	14,586
Administrative Fee	115,772
HRA/Dental/Vision	387,800
Federal Reimbursement	(595,073)
Technology	111,954
SFCC Debt Service Payments	<u>562,743</u>
Total	<u>\$14,828,170</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – NET POSITION, AS RESTATED

Beginning net position of the Governmental Activities was understated by \$78,457. Below are the details of the restatement:

	Government Activities
Net Position June 30, 2016	\$ (702,799)
Less: Understatement Accrued Sick Leave	(491,043)
Add: Understatement of Capital Assets	<u>569,500</u>
Beginning Net Position, As Restated	<u>\$ (624,342)</u>

REQUIRED SUPPLEMENTARY INFORMATION

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	17,303,128	17,303,128	17,775,665	472,537
Other Local Sources	345,777	345,777	527,949	182,172
State Sources	40,190,259	40,190,259	45,431,793	5,241,534
Federal Sources	0	0	0	0
Other Sources	255,000	255,000	3,582,075	3,327,075
TOTAL REVENUES	58,094,164	58,094,164	67,317,482	9,223,318
EXPENDITURES:				
Instructional	34,181,657	34,181,657	39,114,507	(4,932,850)
Student Support Services	3,897,375	3,897,375	4,104,098	(206,723)
Staff Support Services	4,017,879	4,017,879	2,388,993	1,628,886
District Administration	1,411,834	1,411,834	898,799	513,035
School Administration	2,678,488	2,678,488	3,083,954	(405,466)
Business Support Services	648,570	648,570	708,598	(60,028)
Plant Operation & Maintenance	5,359,262	5,359,262	6,460,424	(1,101,162)
Student Transportation	4,230,021	4,230,021	5,526,327	(1,296,306)
Community Service Operations	0	0	4,947	(4,947)
Facilities Acquisition & Construction	0	0	949,000	(949,000)
Other	6,309,791	6,309,791	1,130,003	5,179,788
TOTAL EXPENDITURES	62,734,877	62,734,877	64,369,650	(1,634,773)
NET CHANGE IN FUND BALANCE	(4,640,713)	(4,640,713)	2,947,832	7,588,545
FUND BALANCES - BEGINNING	4,640,713	4,640,713	4,901,097	0
FUND BALANCES - ENDING	0	0	7,848,929	7,588,545

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State Sources	3,780,427	3,780,427	4,086,869	306,442
Federal Sources	6,748,334	6,748,334	6,680,594	(67,740)
Other Sources	250,000	250,000	171,838	(78,162)
TOTAL REVENUES	10,778,761	10,778,761	10,939,301	160,540
EXPENDITURES:				
Instructional	8,787,987	8,787,987	9,071,342	(283,355)
Student Support Services			12,218	(12,218)
Staff Support Services	886,978	886,978	687,878	199,100
District Administration				
School Administration			92,908	(92,908)
Business Support Services			35,921	(35,921)
Plant Operation & Maintenance				
Student Transportation			44,552	(44,552)
Food Service				
Adult Education			455	(455)
Community Service Operations	1,103,796	1,103,796	1,007,504	96,292
Facility Acquisition & Construction				
Other				
TOTAL EXPENDITURES	10,778,761	10,778,761	10,952,778	(174,017)
NET CHANGE IN FUND BALANCE	0	0	(13,477)	(13,477)
FUND BALANCES - BEGINNING	0	0	13,477	13,477
FUND BALANCES - ENDING	0	0	0	0

See accompanying auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>\$ 208,474,524</u>	<u>232,487,535</u>	<u>303,279,104</u>
TOTAL	<u><u>208,474,524</u></u>	<u><u>232,487,535</u></u>	<u><u>303,279,104</u></u>
District's covered-employee payroll	\$ 32,792,728	34,109,543	34,191,833
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

PULASKI COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability	0.438221%	0.446429%	0.450032%
District's proportionate share of the net pension liability	\$ 14,217,550	19,194,327	22,157,839
State of Kentucky's share of the net pension liability associated with the district	-	-	-
TOTAL	<u>\$ 14,217,550</u>	<u>19,194,327</u>	<u>22,157,839</u>
District's covered-employee payroll	\$ 10,596,488	10,948,667	11,041,179
District's proportionate share of the net pension liability as a percentage of its covered-payroll	134.17%	175.31%	200.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%	55.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

PULASKI COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions (actuarially determined)	\$ 1,347,954	\$ 1,359,825	\$ 1,540,244
Contributions in relation to the actuarially determined contributions	<u>1,347,954</u>	<u>1,359,825</u>	<u>1,540,244</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,596,488	\$ 10,948,667	\$ 11,041,179
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

PULASKI COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 32,792,728	\$ 34,109,543	\$ 34,191,833
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

PULASKI COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2010, and based on the results of an actuarial study and adopted by the board on December 19, 2011.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined total pension liability is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2017 reported in that schedule:

Valuation Date	June 30, 2016
Inflation	3.50 percent
Salary Increases	3.50 – 8.20 percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expense, Including Inflation	7.50 Percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.82 Percent
Measurement Date	3.01 Percent
Year FNP is Projected to be Depleted	2039
Single Equivalent Interest Rate, Net of Pension Plan Investment Expense, Including Inflation:	
Prior Measurement Date	4.88 percent
Measurement Date	4.20 Percent
Post-Retirement Benefit Increases	1.50% annually

PULASKI COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2013, and based on the results of an actuarial study and adopted by the board.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25 percent
Salary Increase	4.0 percent, average, including inflation
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

PULASKI COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents		369,962	622,232	34,228	1,026,422
Prepaid Expenses	700,375				700,375
TOTAL ASSETS	700,375	369,962	622,232	34,228	1,726,797
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable	700,375				700,375
Accounts Payable			11,636	12,101	23,737
Total Liabilities	700,375	0	11,636	12,101	724,112
Fund Balances:					
Restricted for:					
Capital Projects				22,127	22,127
School Activities			610,596		610,596
SFCC Escrow		369,962			369,962
Total Fund Balances	0	369,962	610,596	22,127	1,002,685
TOTAL LIABILITIES AND FUND BALANCES	700,375	369,962	622,232	34,228	1,726,797

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Taxes	3,347,984				3,347,984
Earnings from Investments			5,210		5,210
Intergovernmental - State	1,241,978	744,586			1,986,564
Other Sources			601,957		601,957
TOTAL REVENUES	4,589,962	744,586	607,167	0	5,941,715
EXPENDITURES:					
Instructional			443,245		443,245
Support Services:					
Student Support Services			2,201		2,201
Staff Support Services			59,090		59,090
Plant Operation & Maintenance			17,268		17,268
Student Transportation			10,705		10,705
Facilities Acquisition & Construction				371,310	371,310
TOTAL EXPENDITURES	0	0	532,509	371,310	903,819
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	4,589,962	744,586	74,658	(371,310)	5,037,896
OTHER FINANCING SOURCES(USES):					
Operating Transfers In				29,799	29,799
Operating Transfers Out	(4,589,962)	(744,586)			(5,334,548)
TOTAL OTHER FINANCING SOURCES(USES)	(4,589,962)	(744,586)	0	29,799	(5,304,749)
NET CHANGE IN FUND BALANCES	0	0	74,658	(341,511)	(266,853)
FUND BALANCES - BEGINNING		369,962	535,938	363,638	1,269,538
FUND BALANCES - ENDING	0	369,962	610,596	22,127	1,002,685

See independent auditor's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	FUND BALANCE JULY 1, 2016	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2017
Pulaski Co High School	148,371	706,187	694,253	160,305
Pulaski County High Charitable Gaming	2,490	8,254	7,999	2,745
Southwestern High School	101,950	380,639	367,567	115,022
Northern Middle School	64,558	244,442	253,943	55,057
Southern Middle School	39,717	210,140	196,910	52,947
Burnside Elementary	1,818	16,389	15,503	2,704
Eubank Elementary	21,845	10,456	30,953	1,348
Nancy Elementary	6,048	38,216	39,830	4,434
Northern Elementary	4,423	50,803	53,260	1,966
Oakhill Elementary	3,226	4,371	2,719	4,878
Pulaski Co Elementary	8,870	103,651	104,914	7,607
Shopville Elementary	2,902	8,505	7,790	3,617
Southern Elementary	<u>15,182</u>	<u>62,104</u>	<u>65,304</u>	<u>11,982</u>
Total Activity Funds (Due to Student Groups)	<u><u>421,400</u></u>	<u><u>1,844,157</u></u>	<u><u>1,840,945</u></u>	<u><u>424,612</u></u>

See independent accountant's report and accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
PULASKI COUNTY HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	CASH BALANCE JULY 1, 2016	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2017	ACCOUNTS RECEIVABLE JUNE 30, 2017	ACCOUNTS PAYABLE JUNE 30, 2017	FUND BALANCE JUNE 30, 2017
Agri Mechanics	346	1,680	1,766	260			260
Ag-Production	4,788	8,143	8,605	4,326			4,326
Art	162	0	0	162			162
Athletics	40,173	94,039	113,262	20,950			20,950
Band AI	0	3,000	2,394	606			606
Consumer/Family/Food	2,103	2,720	2,321	2,502			2,502
Literacy Committee	7	0	7	0			0
Extra Athletic	541	9,121	9,662	0			0
ROTC	1,218	17,891	15,365	3,744			3,744
J. Wilsons Bio Med Class	157	547	704	0			0
Special Ed	156	1,101	696	561			561
Supply Store	9,498	45,032	45,052	9,478			9,478
Technology Ed Club	7	0	0	7			7
Chorus Club	1,054	15,439	13,094	3,399			3,399
History Club	45	0	0	45			45
Fishing Club	437	7,200	7,624	13			13
ADVPP Club	3,235	290	841	2,684			2,684
Faculty Vending	0	5,263	4,193	1,070			1,070
FB Playoffs vs S Oldham	0	11,788	11,284	504			504
General/Sweep Account	0	14,780	14,780	0			0
Lib Club	495	542	428	609			609
Parking Fundraiser	160	5,975	439	5,696			5,696
Student Vending	1,667	9,271	8,299	2,639			2,639
Youth Service Center	74	500	71	503			503
Academic Reward	202	5,807	6,009	0			0
STLP Club	549	0	543	6			6
FYSC - United Way	250	895	1,121	24			24
Disc Golf Club	90	382	350	122			122
Cheerleaders	4,954	79,510	72,970	11,494			11,494
Dance Team	1,243	4,652	5,164	731			731
DECA	6,989	65,031	62,199	9,821			9,821
Environmental Club	970	833	1,010	793			793
FBLA	1,991	49,260	46,767	4,484			4,484
FCA	1,957	426	207	2,176			2,176
FFA	2,088	28,544	29,762	870			870
FCCLA	1,543	4,295	3,978	1,860			1,860
NHS	1,211	2,542	2,227	1,526			1,526
Pep Club	320	149	226	243			243
United/S.A.D.D.	10	0	0	10			10
Science Club	23	0	23	0			0
Drama Club	408	3,027	947	2,488			2,488
Boys Golf Region 2016	20	3,395	3,415	0			0
Student Council	846	1,734	853	1,727			1,727
Boys Golf Boosters	6,187	8,484	10,703	3,968			3,968
Sports Officials	0	21,794	21,794	0			0
Philosophy Club	35	0	0	35			35
FEA	45	0	0	45			45
Prom	10,198	8,719	10,475	8,442			8,442
12th Region Basketball	3,931	17,478	19,568	1,841			1,841
Chess Club	152	265	340	77			77
RPG Club	27	125	0	152			152
Student YMCA	0	2,391	2,270	121			121
American Heart Association	0	1,431	1,431	0			0
Softball Booster	1,680	18,348	18,722	1,306			1,306
Girls Soccer Booster	1,591	6,316	5,127	2,780			2,780
Boys Soccer Booster	2,173	13,327	9,491	6,009			6,009

Baseball Booster	3	0	0	3			3
Volleyball Booster	1,973	15,519	11,755	5,737			5,737
Girls Golf Booster	210	11	221	0			0
Project Graduation	6	9,535	9,330	211			211
Cardboard Nation	0	2,607	2,607	0			0
Feud for Food	1,801	1,593	2,648	746			746
Tennis	1,737	6,371	5,339	2,769			2,769
Kool Kardz Klub	798	970	0	1,768			1,768
Basketball District	0	0	0	0			0
Region 12 Tourney	0	0	0	0			0
Grider Yearbook Class	2,052	5,047	5,753	1,346			1,346
Archery Booster	1,862	19,138	17,123	3,877			3,877
YSC Attendance Donation	3	0	0	3			3
Hospitality/Region Tourney	200	800	1,000	0			0
Book Club	40	160	185	15			15
JROTC Nationals Acc	0	21,451	20,959	492			492
Softball District Tourney	1,027	0	1,027	0			0
Don Marshall Bowl	0	23,970	23,970	0			0
Basketball Prep	5,528	0	5,528	0			0
Swim Team	703	3,347	2,840	1,210			1,210
12th Region Girls	1,043	447	410	1,080			1,080
Alloc Baseball	1,055	2,103	1,735	1,423			1,423
Alloc Boys Basketball	93	1,152	1,245	0			0
Alloc Girls Basketball	0	2,484	2,484	0			0
Alloc Cross Country	285	2,023	1,328	980			980
Alloc Football	0	9,600	8,581	1,019			1,019
Alloc Boys Golf	0	1,000	180	820			820
Alloc Girls Golf	174	1,390	1,304	260			260
Alloc Boys Soccer	0	1,000	927	73			73
Alloc Girls Soccer	328	1,000	1,328	0			0
Alloc Softball	82	1,400	1,482	0			0
Alloc Tennis	0	600	600	0			0
Alloc Boys Track	530	0	445	85			85
Alloc Girls Track	237	263	355	145			145
Alloc Volleyball	0	1,000	1,000	0			0
Alloc Dance	0	300	300	0			0
Alloc Cheerleaders	300	300	0	600			600
Alloc Swim Team	5	500	377	128			128
PCI Invitational/CC	1,434	0	0	1,434			1,434
Saddle Up Club	5	110	44	71			71
Anime Club	10	105	94	21			21
Robotics Club	266	4,178	3,886	558			558
Beta Club	1,193	857	261	1,789			1,789
Spanish Honor Soc	0	485	485	0			0
Alloc Archery	63	500	0	563			563
PBIS	1,639	710	2,137	212			212
Link Crew Club	712	1,181	886	1,007			1,007
Rocket Club	35	340	187	188			188
AP Study Fund	0	755	495	260			260
AP Biology	44	0	0	44			44
HOSA	1,324	17,945	15,259	4,010			4,010
Science Olympiad	150	0	0	150			150
AP European	72	0	0	72			72
Biomed/Engineering Club	455	1,076	801	730			730
Tennis Region	888	50	938	0			0
Bass Fishing Team Alloc	0	500	310	190			190
Youth Literacy Donation	0	2,000	1,980	20			20
Harlem Wizards Fundraiser	0	7,328	6,041	1,287			1,287
Total All Funds	148,371	778,683	766,749	160,305	0	0	160,305
Interfund Transfers	0	(72,496)	(72,496)	0	0	0	0
Total	148,371	706,187	694,253	160,305	0	0	160,305

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SOUTHWESTERN HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	CASH BALANCE JULY 1, 2016	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2017	ACCOUNTS RECEIVABLE JUNE 30, 2017	ACCOUNTS PAYABLE JUNE 30, 2017	FUND BALANCE JUNE 30, 2017
Sr Project Graduation	18	0	0	18			18
Gearup	26	1,030	1,030	26			26
Art	1,649	340	148	1,841			1,841
ASL	176	0	0	176			176
Band	1,543	3,645	5,132	56			56
Chorus	1,118	48	364	802			802
3D Archery	265	0	0	265			265
DECA	5,220	13,450	14,596	4,074			4,074
FBLA	2,039	22,070	20,580	3,529			3,529
FCA	216	792	956	52			52
FFA	8,442	14,192	16,038	6,596			6,596
FCCLA	2,835	1,019	1,240	2,614			2,614
Link Crew	99	6,543	4,614	2,028			2,028
Foreign Language	12	0	0	12			12
FACS	3,820	3,203	3,386	3,637			3,637
Interest	604	412	583	433			433
Youth Service Center	937	978	856	1,059			1,059
History Bowl	20	0	0	20			20
NHS	1,980	1,973	785	3,168			3,168
Academic Team	331	1,987	1,998	320			320
ROTC	3,005	23,307	23,451	2,861			2,861
Spanish Club	0	3,716	3,481	235			235
Student Government	495	2,325	2,133	687			687
Tech/STLP	2,774	15	118	2,671			2,671
Trading Post	13,872	66,568	63,936	16,504			16,504
Vending	65	66	103	28			28
Yearbook	4,997	16,390	16,650	4,737			4,737
Wildlife Club	1,116	800	496	1,420			1,420
Peru Trip	3	0	0	3			3
Unite Club	42	0	0	42			42
Biology/Trip	366	20,682	20,167	881			881
Debate Team	75	0	75	0			0
Music Theatre	721	0	0	721			721
Science Dept	402	0	0	402			402
Agriculture	777	0	0	777			777
Tri-M	553	0	0	553			553
Vending II	20	0	0	20			20
Athletic/General	6,019	73,216	68,478	10,757			10,757
Girls Basketball	637	0	100	537			537
Boys Basketball	225	515	0	740			740
Girls Soccer	2,640	0	0	2,640			2,640

Boys Soccer	885	164	0	1,049			1,049
Girls Golf	504	300	629	175			175
Boys Golf	1,396	3,415	3,379	1,432			1,432
Girls Volleyball	513	5,972	3,905	2,580			2,580
Softball	50	110	0	160			160
Baseball	867	1,976	1,298	1,545			1,545
Track	865	1,525	2,358	32			32
Cross Country	355	1,975	2,310	20			20
Swim	723	2,073	2,094	702			702
Tennis	2,566	1,773	1,071	3,268			3,268
Cheerleaders	8,212	43,046	43,833	7,425			7,425
Dance	5,389	26,852	26,460	5,781			5,781
Football	904	309	264	949			949
Sports Uniforms	2,221	0	0	2,221			2,221
Health/PE	4	0	0	4			4
Archery	3,219	5,440	2,731	5,928			5,928
Fishing	397	2,380	2,484	293			293
Warrior Nation	800	0	0	800			800
Pep Club	345	0	0	345			345
Robotics	309	8,434	7,644	1,099			1,099
Sweep	1,272	0	0	1,272			1,272
Total All Funds	<u>101,950</u>	<u>385,026</u>	<u>371,954</u>	<u>115,022</u>	<u>0</u>	<u>0</u>	<u>115,022</u>
Interfund Transfers	<u>0</u>	<u>(4,387)</u>	<u>(4,387)</u>	<u>0</u>			<u>0</u>
Total	<u><u>101,950</u></u>	<u><u>380,639</u></u>	<u><u>367,567</u></u>	<u><u>115,022</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>115,022</u></u>

PULASKI COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	009XJ	240,150
Title I - Grants to Local Educational Agencies	84.010	3100002	310B	374,980
Title I - Grants to Local Educational Agencies	84.010	3100002	310C	2,059,255
Title I - Grants to Local Educational Agencies	84.010	3100002	313B	13,141
Title I - Grants to Local Educational Agencies	84.010	3100002	313C	14,458
Title I - School Improvement	84.010	3100002	320AS	32,400
Title I - School Improvement	84.010	3100002	320B	8,819
Title I - School Improvement	84.010	3100002	320BS	3,300
Title I - School Improvement	84.010	3100002	320C	100,000
Title I - Parent Involvement	84.010	3100002	310BM	31,150
Title I Cluster				<u>2,877,653</u> *
Title I, Neglected and Delinquent Children and Youth	84.013	314B	314B	9,863
Title I, Neglected and Delinquent Children and Youth	84.013	314C	314C	<u>49,773</u>
Total Title I, Neglected and Delinquent Children and Youth				59,636
Title II - Part A -Teacher Quality Enhancement Grants	84.367	3230002	401C	430,303
Perkins Voc.	84.048	3710002	348BA	4,823
Perkins Voc.	84.048	3710002	363C	5,938
Perkins Voc.	84.048	3710002	348C	<u>91,191</u>
Total Perkins Voc.				101,952
Adult Education	84.002	365C	365C	208
Adult Education	84.002	373C	373C	40,403
Adult Education	84.002	373CS	373CS	<u>1,991</u>
Total Adult Education				42,602
IDEA - Special Education - Grants to State	84.027	3810002	337BP	19,043
IDEA - Special Education - Grants to State	84.027	3810002	337C	1,658,370
IDEA - Special Education - Preschool Grants	84.173	3800002	343C	33,837
IDEA - Special Education - Preschool Grants	84.173	3800002	343AP	285
IDEA - Special Education - Preschool Grants	84.173	3800002	343B	<u>9,462</u>
Special Education Cluster				1,720,997 *
Migrant Education - State Grant Program	84.011	3110002	311B	16,704
Migrant Education - State Grant Program	84.011	3110002	311BE	1,673
Migrant Education - State Grant Program	84.011	3110002	311C	<u>177,539</u>
Migrant Education Total				195,916
Title III - Limited English Proficiency	84.365	3300002	345B	4,418
Title III - Limited English Proficiency	84.365	3300002	345C	<u>8,440</u>
Total Title III- Limited English Proficiency				12,858
Title IV - Rural and Low Income Schools	84.358	3140002	350B	365
Title IV - Rural and Low Income Schools	84.358	3140002	350C	<u>129,620</u>
Title IV - Rural and Low Income Schools Total				129,985
Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379AB	379BB	8,583
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379AL	379BC	1,243
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379AR	379BG	30,803

Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379AS	379BL	5,072
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BB	379CB	91,586
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BC	379CC	20,556
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BL	379CG	258,080
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BR	379CL	18,152
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BS	379CP	46,831
Gaining Early Awareness and Readiness for Undergraduate Programs Total				480,906
Total U.S. Department of Education				6,052,808
<u>U.S. Department of Health and Human Services</u>				
Passed Through Kentucky Department of Education				
Drug-Free Communities Support	93.276	SP01882	500AA	57,355
Drug-Free Communities Support	93.276	SP01882	500CA	72,169
Drug-Free Communities Support Total				129,524
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551BS	161,206
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551BT	22,003
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551CS	260,288
Substance Abuse and Mental Health Services - STOP Act	93.243	240002	551CT	39,355
Substance Abuse and Mental Health Services - STOP Act Total				482,852
Total U.S. Department of Health and Human Services				612,376
<u>U.S. Department of Defense</u>				
NJROTC	12.404	Direct	504A	7,797
NJROTC	12.404	Direct	504B	126,522
NJROTC	12.404	Direct	504C	122,544
Total NJROTC				256,863
Total U.S. Department of Defense				256,863
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
National School Lunchroom	10.555	7750002-16	7750002-16	713,683
National School Lunchroom	10.555	7750002-17	7750002-17	2,519,249
School Breakfast Program	10.553	7760005-16	7760005-16	313,726
School Breakfast Program	10.553	7760005-17	7760005-17	1,093,139
Summer Food Service Program	10.559	7690024-16	7690024-16	12,863
Summer Food Service Program	10.559	7690024-17	7690024-17	1,414
Summer Food Service Program	10.559	7740023-16	7740023-16	123,606
Summer Food Service Program	10.559	7740023-17	7740023-17	13,621
Child Nutrition Cluster				4,791,301 *
Child & Adult Care Food Program	10.558	7790021-16	7790021-16	89,012
Child & Adult Care Food Program	10.558	7790021-17	7790021-17	314,194
Child & Adult Care Food Program	10.558	7800016-16	7800016-16	6,461
Child & Adult Care Food Program	10.558	7800016-17	7800016-17	22,438
Child & Adult Care Food Program Total				432,105
Fresh Fruit and Vegetable Program	10.582	7720012-16	7720012-16	5,015
Fresh Fruit and Vegetable Program	10.582	7720012-17	7720012-17	30,521
Fresh Fruit and Vegetable Program Total				35,536
Food Distribution	10.565	057502-10	057502-10	348,900
Total U.S. Department of Agriculture				5,607,842
Total Federal Financial Assistance				12,529,889

* Tested as major program

PULASKI COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Pulaski County School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pulaski County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Pulaski County School District.

NOTE B – FOOD DISTRIBUTION

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

PULASKI COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes _____ None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X Yes _____ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.553/10.559	Child Nutrition Cluster
84.027/84.173	IDEA Cluster
84.010	Title I Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement of Findings

No matters were reported.

PULASKI COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Section III – Federal Award Findings and Questioned Costs

2017 -01: Finding

U.S. Department of Agriculture
10.555/10.553/10.559 Child Nutrition Cluster
Kentucky Department of Education

Criteria:

Costs must be supported by appropriate documentation. The documentation requirements of time and attendance for salaries and wages is described in *2 CFR part 220/A21*.

Condition:

Documentation of time and attendance and/or periodic certifications was not completed for all employees charged to the Child Nutrition Cluster.

Cause:

Program administrators did not follow the payroll documentation requirements in *2 CFR part 220/A21*.

Context:

A sample of payroll transactions related to the Child Nutrition Cluster was selected for compliance and internal control testing. It was determined that a portion of the programs administrative costs were for 100% of two individuals' salaries. However, there was no documentation of time and effort for these employees. 100% of the employees' salaries was \$133,370 and this was charged to the Child Nutrition Cluster.

Effect:

The administrative costs were charged to the program without proper supporting documentation which resulted in noncompliance and questioned costs for the program.

Questioned Costs: \$133,370

Recommendation:

Employees paid from federal programs, including employees in administrative positions, should document their time and attendance specific to federal programs and/or complete periodic certifications for their time.

Management Response: Management has implemented procedures in Fiscal Year 2017-2018 to correct this matter.

PULASKI COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2017

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.
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November 5, 2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Pulaski County School District
Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements, and have issued our report thereon dated November 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pulaski County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pulaski County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-01. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Pulaski County School District in a separate letter dated November 5, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Lebanon, Kentucky 40033
(270) 692-2102
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Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

November 5, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Members of the Board of Education
Pulaski County School District
Somerset, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Pulaski County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pulaski County School District's major federal programs for the year ended June 30, 2017. Pulaski County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pulaski County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pulaski County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pulaski County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniformed Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-01. Our opinion on each major federal program is not modified with respect to this matter.

Pulaski County School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Pulaski County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Pulaski County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pulaski County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pulaski County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements. We issued our report thereon dated November 5, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

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Certified Public Accountants

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November 5, 2017

MANAGEMENT LETTER

Members of the Board of Education
Pulaski County School District
Somerset, Kentucky

In planning and performing our audit of the financial statements of Pulaski County School District for the year ended June 30, 2017, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year District Recommendations:

2016-01 Prior Year Recommendations:

All fixed assets purchased meeting the capital asset threshold should be properly recorded in the fixed asset module. Testing disclosed multiple instances of fixed assets not capitalized.

Current Year Status:

No instances of a lack of fixed assets being properly recorded in the fixed asset module were noted.

2016-2 Prior Year Recommendation:

During the audit, multiple instances were noted of purchase orders for the KY Aware program not being approved by the program director. Purchases should be approved by the program director.

Current Year Status:

No such instances were found during current year testing.

Southwestern High School

2016-01 Prior Year Recommendation:

Fundraiser activities such as concessions, bookstores, pencil machines, and other activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5). Testing disclosed inventory control worksheets were not being completed for various activities.

Current Year Status:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

During testing, multiple instances of purchases being obligated without approval of a purchase order were found. Purchase orders should be completed prior to all purchases.

Current Year Status:

No instances of a lack of a properly approved purchase order were noted at Southwestern High School during current year testing.

2016-03 Prior Year Recommendation:

Two people are required to work the gate. The ending ticket should be attached to the ticket form. Testing disclosed instances of only one person working the gate. Another instance was noted where the ending ticket was not included with the form.

Current Year Status:

No instances where ticket reconciliation forms were not properly completed or of only one worker working the gate were noted during current year testing.

2016-04 Prior Year Recommendation:

All monies collected shall be deposited on a daily basis when over \$100. During testing there was an instance of receipts not being deposited on date of collection, or the following business day.

Current Year Status:

Deposits reviewed during current year testing were made timely.

2016-05 Prior Year Recommendation:

Form F-SA-17 must be completed for each event and each time money from concessions is collected. Testing disclosed instances of concession forms not completed.

Current Year Status:

No such instances were found during current year testing.

Pulaski County High School

2016-01 Prior Year Recommendation:

All monies collected shall be deposited on a daily basis when over \$100. During testing there were multiple instances of receipts not being deposited on date of collection or the following business day.

Current Year Status:

No such instances were found during current year testing.

2016-02 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't complete.

Current Year Status:

No such instances were found during current year testing.

2016-03 Prior Year Recommendation:

Testing disclosed an instance of a check written to the bank for gate money. Per Redbook, "A change fund shall be initiated with a check written to the Athletic Director or responsible person."

Current Year Status:

No such instances were found during current year testing.

2016-04 Prior Year Recommendation:

During testing, multiple instances of purchases being obligated without approval of a purchase order. Purchase orders should be completed prior to all purchases.

2017-1 Current Year Status and Recommendation:

All disbursements tested had a standard invoice or purchase order. However, one disbursement was issued for \$3,111 more than what was approved on the purchase order. That is, the disbursement was written for \$6,811 but only \$3,700 was approved on the purchase order. We recommend that additional approval be obtained prior to the obligation of funds when disbursements will exceed the originally approved purchase order amount.

Management Response:

We will retrain the principal, bookkeeper, and staff about proper purchase order and purchasing procedures.

2016-05 Prior Year Recommendation:

Form F-SA-17 must be completed for each event and each time money from concession is collected. Testing disclosed instances of concession forms not completed.

Current Year Status:

No such instances were found during current year testing.

2016-06 Prior Year Recommendation:

Two people are required to work the gate. The ending ticket should be attached to the ticket form. Testing disclosed instances of only one person working the gate. Another instance was noted where the ending ticket was not included with the form.

Current Year Status:

No such instances were found during current year testing.

Southern Middle School

2016-01 Prior Year Recommendation:

Money should be remitted to the treasurer on the date of collection, or if collected after hours, the following business day. Testing disclosed an instance of money not remitted timely to the treasurer.

Current Year Status:

No such instances were found during current year testing.

2016-02 Prior Year Recommendation:

During testing, multiple instances of missing fundraiser approval forms were noted. The principal shall approve all fundraisers, including proposed use of funds on form F-SA-2A.

Current Year Status:

No such instances were found during current year testing.

2016-03 Prior Year Recommendation:

A deposit shall be made on any day in which at least \$100 is on hand to deposit. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until the earlier of when \$100 is collected or the weekly deposit is made as required. Testing revealed multiple deposits that were not deposited within this timeframe.

Current Year Status:

No such instances were found during current year testing.

2016-04 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed.

Current Year Status:

No such instances were found during current year testing.

2016-05 Prior Year Recommendation:

During testing, multiple instances of purchases being obligated without approval of a purchase order. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted at this school during current year testing.

2016-06 Prior Year Recommendation:

During testing, an instance of a missing invoice was disclosed. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8).

Current Year Status:

No such instances were found during current year testing.

Northern Middle School

2016-01 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed.

Current Year Status:

No such instances were found during current year testing.

2016-02 Prior Year Recommendation:

During testing, multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were found at this school during current year testing.

2016-03 Prior Year Recommendation:

During testing an instance of a late penalty charged on the Walmart card statement was noted. This is an unnecessary expenditure and not a direct benefit to the students.

Current Year Status:

No such instances were noted during current year testing.

2016-04 Prior Year Recommendation:

Fundraiser activities such as concessions, bookstores, pencil machines, and other activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5). Testing disclosed inventory control worksheets were not being completed for various activities.

Current Year Status:

No such instances were noted during current year testing.

2016-05 Prior Year Recommendation:

During testing, there were several instances of missing fundraiser approval forms noted. The principal shall approve all fundraisers, including proposed use of funds on form F-SA-2A.

Current Year Status:

No such instances were noted during current year testing.

2016-06 Prior Year Recommendation:

Money should be remitted to the treasurer on the date of collection, or if collected after hours, the following business day. Testing disclosed multiple instances of money not remitted timely to the treasurer.

Current Year Status:

No such instances were noted during current year testing.

2016-07 Prior Year Recommendation:

During testing, there was an instance of a Sales Collection form (F-SA-17) not being completed for a Penny War Fundraiser. A Sales Collection form (F-SA-17) should be completed each time money is collected for this activity.

Current Year Status:

No such instances were noted during current year testing.

Northern Elementary School

2016-01 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed.

Current Year Status:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were found at this school during current year testing.

2016-03 Prior Year Recommendation:

During testing, an instance of a missing invoice was noted. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8).

Current Year Status:

No such instances were noted during current year testing.

Burnside Elementary School

2016-01 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed.

Current Year Status:

No such instances were noted during current year testing.

Eubank Elementary School

2016-01 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed.

Current Year Status:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Current Year Status:

No such instances were noted during current year testing.

2016-03 Prior Year Recommendation:

During testing, an instance of a missing invoice was noted. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8).

Current Year Status:

No such instances were noted during current year testing.

2016-04 Prior Year Recommendation:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted at this school during current year testing.

Oak Hill Elementary School

2016-01 Prior Year Recommendation:

During testing an instance of a purchase approved after being obligated was noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

During testing, multiple instances of missing donation acceptance forms were noted. The Donation Acceptance Form (F-SA-18) must be completed stating the purpose of and any restriction on the donation received.

Current Year Status:

No such instances were noted during current year testing.

2016-03 Prior Year Recommendation:

Testing noted an instance of ticket sale forms not being completed for the Beta Dance. The Requisition and Report of Ticket Sales (Form F-SA-1) must be completed for all events for which admission is charged.

Current Year Status:

No such instances were noted during current year testing.

Pulaski County Elementary School

2016-01 Prior Year Recommendation:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted at this school during current year testing.

2016-02 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed.

Current Year Status:

No such instances were noted during current year testing.

2016-03 Prior Year Recommendation:

Fundraiser activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5) on a monthly basis. Testing disclosed an instance of the form not being completed monthly to recap activity from fundraising.

Current Year Status:

No such instances were noted during current year testing.

2016-04 Prior Year Recommendation:

During testing, multiple instances were noted of a Sales Collection form (F-SA-17) not properly completed. Concessions/Bookstore/School Store/Pencil Machine Form (F-SA-17) must be completed for each event and each time money from these activities is collected. The form and money should be remitted to the treasurer on the date of collection.

Current Year Status:

No such instances were noted during current year testing.

2016-05 Prior Year Recommendation:

All monies collected shall be deposited on a daily basis when over \$100. During testing there were multiple instances of receipts not being deposited on date of collection or the following business day.

Current Year Status:

No such instances were noted during current year testing.

Shopville Elementary School

2016-01 Prior Year Recommendation:

During testing it was discovered the school participated in a raffle that collected over \$150 without a charitable gaming license. Three or less raffles held per calendar year with none of the raffles having gross receipts over \$150 receipts is allowable without a charitable gaming license.

Current Year Status:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

During testing, an instance of a cash advance for a banquet was noted. Cash advances are only permitted if students are participating in a class trip or club outing.

Current Year Status:

No such instances were noted during current year testing.

2016-03 Prior Year Recommendation:

Testing noted an instance of ticket sale forms not being completed for an archery tournament. The Requisition and Report of Ticket Sales (Form F-SA-1) must be completed for all events for which admission is charged.

Current Year Status:

No such instances were noted during current year testing.

2016-04 Prior Year Recommendation:

During testing, multiple instances were noted of a Sales Collection form (F-SA-17) not properly completed. Concessions/Bookstore/School Store/Pencil Machine Form (F-SA-17) must be completed for each event and each time money from these activities is collected. The form and money should be remitted to the treasurer on the date of collection.

Current Year Status:

No such instances were noted during current year testing.

2016-05 Prior Year Recommendation:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted during current year testing.

2016-06 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed until April 2016 for the 2016 school year.

Current Year Recommendation:

No such instances were noted during current year testing.

Southern Elementary School

2016-01 Prior Year Recommendation:

During testing, multiple instances of purchases being obligated without approval of a purchase order were noted. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

There were multiple instances of a multiple receipt form not completed properly to include names of students/persons remitting money. Teachers, sponsors or students shall use the multiple receipt forms when collecting money. Students 3rd grade and above must sign the form.

Current Year Status:

No such instances were noted at this school during current year testing.

2016-03 Prior Year Recommendation:

Money should be remitted to the treasurer on the date of collection, or if collected after hours, the following business day. Testing disclosed multiple instances of money not remitted timely to the treasurer.

Current Year Status:

No such instances were noted during current year testing.

2016-04 Prior Year Recommendation:

During testing, an instance of a missing fundraiser approval form was noted. The principal shall approve all fundraisers, including proposed use of funds on form F-SA-2A.

Current Year Status:

No such instances were noted during current year testing.

2016-05 Prior Year Recommendation:

Individual activity budgets should be submitted to the principal by April 15th before the new school year starts, and principal combining budgets should be completed and submitted to the Finance Officer by May 15th. Testing disclosed a budget that wasn't completed until April 2016 for the 2016 school year.

Current Year Status:

No such instances were noted during current year testing.

Nancy Elementary School

2016-01 Prior Year Recommendation:

During testing, multiple instances of purchases being obligated without approval of a purchase order were noted. Purchase orders should be completed prior to all purchases.

Current Year Recommendation:

No such instances were noted during current year testing.

2016-02 Prior Year Recommendation:

During testing, an instance of a missing invoice was disclosed. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8).

Current Year Status:

No such instances were noted during current year testing.

Current Year Recommendations:

2017-2 Current Year Recommendation:

During test of activity funds at Pulaski County High School, it was noted that disbursements were made at the school level requiring reimbursement from the District. The District did fully reimburse the disbursements. However, before the funds were obligated, a District level purchase order should have been properly completed and approved to ensure that the appropriate level of approval for the disbursements was obtained.

Managements Response:

We will require the school principal to obtain District level approval prior to incurring expenses that will have to be reimbursed by the District.

2017-3 Current Year Recommendation:

During the audit, it was noted that students 3rd grade and above were not always signing their name by the funds they remitted to the teacher or sponsor on the multiple receipt form. In more than one instance at Pulaski County High School, the teacher or sponsor filled in the students' names. This is not in accordance with Redbook policies and procedures. We recommend that Redbook policy be followed and that all staff and sponsors at Pulaski County High School be reminded that students 3rd grade and above must sign their own name on the multiple receipt form according to Redbook.

Management Response:

We will instruct staff that all students 3rd grade and above must sign their name on the multiple receipt form when remitting funds.

2017-4 Current Year Recommendation:

At the District level, a disbursement selected for testing did not have any approval signatures. We recommend that all disbursements contain proper written approval prior to disbursement.

Management Response:

We will ensure all disbursements are properly approved prior to payment.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

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Certified Public Accountants

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November 5, 2017

Members of the Board of Education
Pulaski County School District
Somerset, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 15, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pulaski County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by Pulaski County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Pulaski County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pulaski County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 42 and 43, or on the schedules of the district's proportionate share of net pension liabilities on pages 44 and 45, or on the schedules of contributions to the County Employees Retirement Plan and the Teachers Retirement System on pages 46 and 47, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Pulaski County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants